July 5, 1961

# Investor's Reader

For a better understanding of business news



CERRO DIGS FOR DIVERSIFICATION
(see page 17)

## METAMORPHOSIS

Butterfly wings may replace rabbit ears in the weird world of TV antennas. Made of flexible Koroseal vinyl by B F Goodrich Company, the device attractively displayed above is indeed a "butterfly" antenna with a silver circuit printed inside to receive all TV channels and FM stations. Called "Mite-Site" the antenna measures five feet, works when mounted out of sight behind a drapery or sofa or even under the rug so long as it is attached to the set. The $2.98 item is manufactured by RF Industries Inc of Summit, NJ which plans nationwide distribution "just as speedily as possible."

Butterfly hatcher Goodrich is better known as the country's No 4 rubber company with $613,000,000 assets. It suffered a "disappointing" 1960 caused by such factors as "the highest natural rubber prices since 1955" and reduced prices on replacement tires and polyvinyl chloride resins (as in Koroseal). Sales fell 7% from the 1959 record to $764,000,000 and earnings dropped 20% to $30,000,000 or $3.33 a share.

First quarter 1961 sales of $173,000,000 were off 14% and profits of $5,900,000 fell 37% but president J Ward Keener looks for "upward trends through the rest of 1961." Recently he announced record capital spending of $50,000,000 for this year. Projects include completion of new tire plants in Ft Wayne, Ind and Teheran, Iran plus expansion of an Akron research center. Sales in 1961 are expected to about match last year but with "improved industry conditions" Wall Streeters think earnings may top 1960. On the Big Board GR common has climbed from the year's low of 51, now trades near 61. But it sold for 103 in more prosperous 1959.

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Investor's Reader

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**With this issue INVESTOR'S READER begins its 19th year of publication. Our original circulation in 1943 was 6,000; now it is 203,000.**

# National Housing and National Homes

## Midwest Prefabber Previews 1962 Line; Specialized Markets Featured

*Editor's Note: This article reports on one prominent home builder. A broader look at the overall housing market will be found in the companion story on page 4.*

IN AN ATTEMPT to boost flagging home starts, the Senate last fortnight passed a $6 billion housing bill providing 40-year mortgages with low down payments for moderate income families. On the very next day No 1 prefabricator National Homes Corp held its annual press gala at Lafayette, Ind headquarters to introduce 16 models of its 1962 line of popular-priced manufactured houses. Included among the vividly decorated split-foyer, split-level, two-story and ranch models were houses expressly designed for the "Senior Citizen" as well as "Bonus Space" models for growing families.

Undaunted by a recession-dampened 1960 when the industry's excessive housing inventories and high vacancy rates dimmed the homebuilding outlook, National Homes undertook extensive studies of the country's housing needs. Besides noting an obvious trend to larger three-bedroom, two-bathroom homes, founder-chairman James R Price revealed: "We found two urgent problems. First, the lack of suitable housing locally was forcing our senior citizens to break old ties and move away from their hometowns. Secondly, available housing was not meeting the need of younger and growing families for 'optional-use' space in their homes—space which they could adapt to their changing requirements."

Prefabber Price stresses the 1962

National Homes are specifically directed at solving these problems. Senior Citizen homes "can be built right in their hometowns." In addition these one-story houses which range in price from $9-to-15,000, excluding land, include many convenience features such as extra wide doorways (for wheelchair passage), skid-proof floors and leisure rooms.

As for the growing family group which consists mostly of second and third-time buyers who have outgrown their present homes, Jim Price has this to offer: "Our Bonus Space homes are designed so areas which might serve as extra bedrooms at one time in a family's growth can easily be converted to recreational or other functional uses in later years when the pattern of the family's living changes."

Because the residential housing market has been "pretty well saturated" since peak year 1959, National Homes along with the rest of the home building industry is now finding it necessary to offer extras or quality features to entice the public back into the home-buying market. For example, glamor items such as sliding glass walls, wood paneling, mirror walls, second-level sundecks, cathedral ceilings and Formica-topped vanities have been incorporated into the 1962 National line.

The Midwest prefabber also emphasizes "care-free" living in its houses. Its completely weather-protected aluminum exteriors were successfully introduced two years ago (IR, Oct 1, 1958), are now used on over 70% of its units. Some 1962 care-free maintenance features: a new perforated soffit which gives home ventilation "far in excess of FHA requirements," aluminum-storm-screen rear doors, attractive Scar-Proof natural birch finished doors & cabinets and Formica window sills, cabinets and countertops.

For its 1,676 franchised builder-dealers—"we've added 809 new ones since the first of the year"—National has introduced "a number of technological cost savings" which "are expected to save builders as much as $500 a house." These include a labor-saving precision floor system, a new dual duct heating system (co-developed with Stewart-Warner) and a loading system designed "to facilitate erection of the home at the building site."

The $65,200,000-assets company offers three lines of homes, all on a presold (no manufacturing till the home is financed) basis: custom houses "which run up as high as you want," a luxury group priced between $25-and-45,000 and the popular price group. The latter ranges from $9-to-20,000 but Jim Price concedes "we don't put much emphasis on the bottom of that line."

National Homes is able to offer such an extensive line partly because of its acquisition of seven manufactured home companies in August 1959. However the Justice Department has challenged these purchases as "substantially lessening competition in the manufacture of prefabricated homes." Three pretrial hearings have been held and "if we go to trial," it will be sometime this Fall.

Executive vp Clifford A Smith notes the popular price line "stopped

at $16,000 last year. Now however we are aiming for the second and third-time buyers with higher incomes and larger families by offering increased living area." Nevertheless he states: "As in the past we expect our greatest success in the $12-to-15,000 bi-level houses since they provide maximum space for the minimum cost per square foot."

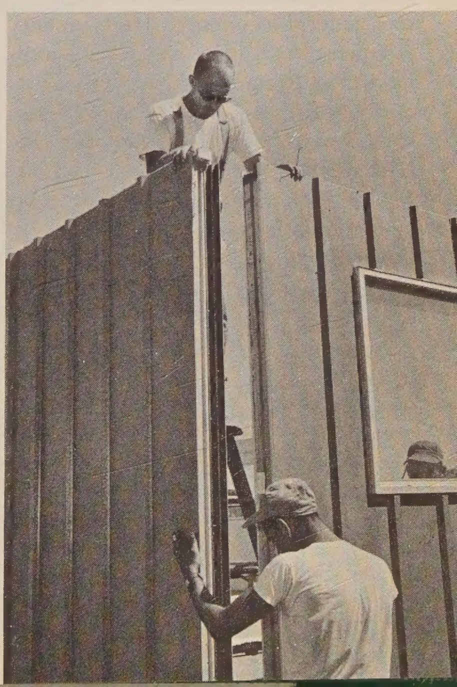
While the soft-spoken executive estimates the increase in single-family, non-farm, privately-financed homes in 1961 to be only 2-to-5% over the 970,000 built last year, National Homes expects to almost double its 1960 production of exactly 16,804 homes. Builder Smith reports the company's builder-dealer sales rose 180% in the first five months alone. For the full year the National Homes official estimates production will range between 27-and-32,500 units, "surpassing" peak year 1959 when 24,130 houses were manufactured and sold. Clifford Smith explains the wide span in his estimate: "It's hard to give an exact figure because our plants won't feel our new dealers' activity until the middle of the third quarter." The 41-year-old executive projects: "We expect to get up to 3.3% of the total housing market this year compared to the 1.8% we had last year."

Based upon executive vp Smith's 1961 estimate and including operations of its wholly owned financing subsidiaries, National Homes could earn between 75¢ and $1.25 this year on its combined 4,610,000 Class A & B shares (only A shares can vote and 50.1% of them are in a voting trust). Therefore this year's profits might top the record 84¢ earned on $75,700,000 volume in 1958 and would be considerably above the 29¢ netted in slump year 1960 (*v* 41¢ in 1959) when sales fell 21% from the year before to $72,500,000.

But along with such an optimistic estimate, Clifford Smith cautions first half sales will be about the same as those of January-June 1960 while profits are expected to "go $100,000 either way" from last year's $591,500 (13¢). His reason for a slow first half: a substantial time lag between dealer orders and actual production. Looking to 1962 he expects National Homes to benefit from an improved economy and from the new housing bill.

Turning to another growing area the Midwest prefabricator last month entered the European housing market through a distribution agree-

***Wall-to-wall construction***



ment with aircraft equipper Lear Inc of Santa Monica. Its export program is aimed "primarily at the employes of American companies operating abroad." While one house has already been erected in Geneva, chairman Price feels "it will take some time for the foreign market to grow into big figures. However we believe our prices are so far below those of foreign houses that the market is bound to grow."

National Homes A & B shares which are traded over-the-counter have followed the company's profitable but erratic record. In peak profits year 1958 the shares sold as high as 26. But they dropped to a low of 8 last year. With present investor interest in manufactured home stocks and with record earnings forecast this year, National shares rose to 19½ earlier this year, currently trade around 16. There are also $15,000,000 in convertible debentures outstanding which represent a potential addition of 944,700 shares to the Class B stock plus warrants and options convertible into more than 600,000 additional Class B shares.

## *Outlook for Housing Across The Nation*

### Improvement in Economy Augurs Well for Over-Built Home Builders

THE VISTA for National Homes as well as for other members of the home building industry is directly dependent upon the state of the general economy. High unemployment, tight mortgage money and high interest rates in 1960 eliminated many potential first-time buyers who in the past have accounted for the bulk of the housing market. Thus it was a hesitant and choosy second and third-time buying market — those already living in their own homes—who made up the dominant purchasing group last year. Fewer marriages in the past three years also lessened housing demand and pushed vacancy rates up to a ten-year high.

While an increase in "net household formations" is not expected until the mid-Sixties, home builders are looking for a moderate pickup this year as the economy gains upward momentum and first-time buyers are able to re-enter the market. Some good signs: the FHA recently reported applications for new-home mortgage insurance showed the first solid rise in five months. Considered as a good indication of future home construction, FHA applications were up 5% from the April low point.

And the Census Bureau notes housing starts for May were up 8% over April (although still below May 1960), due in part to more working days. This brought the first five months to an annual rate of approximately 1,220,000 units, still 6% below last year. However both Government and industry officials remain hopeful of reaching the 1,300,000 figure predicted earlier this year.

Possible stimulants for increased 1961 home building: the new housing bill featuring small down payments and 40-year mortgages for homes under $13,500 (35 years and $15,000 in the House version); recent Fed-

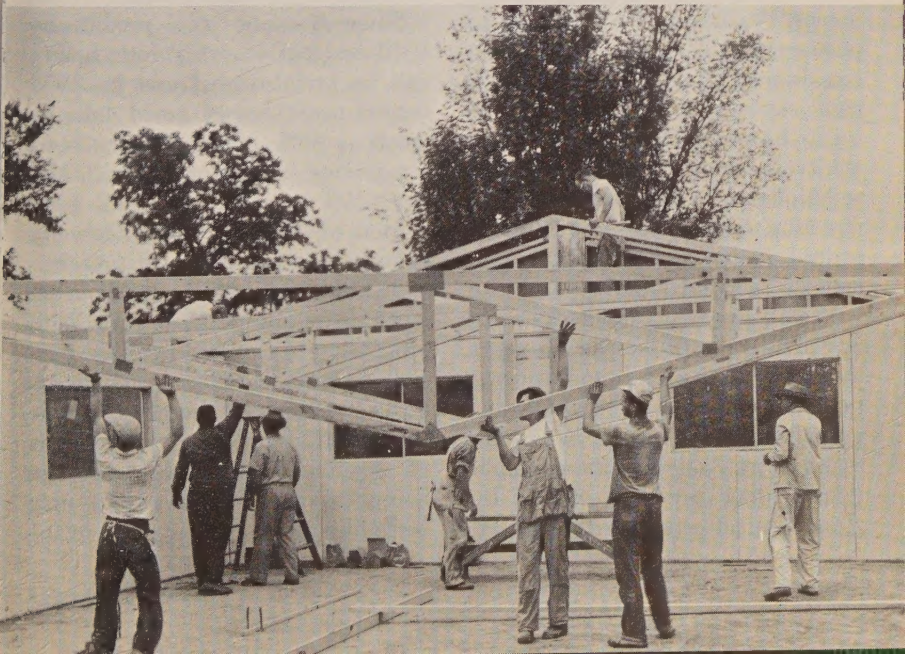
eral Home Loan Bank action to encourage stepped-up mortgage lending by savings & loan associations.

Despite the decline in house building activity last year, prefabricated, mobile and shell home manufacturers built up their share of the total housing market. While conventional builders saw their housing starts drop 18%, makers of manufactured homes watched shipments decline only 10%. Currently prefabs account for "less than 15%" of total housing, mobile homes about 13% and shell homes (just the roof, floor and exterior walls) an estimated 8%.

Sales of mobile homes by some 400 companies have quadrupled over the past ten years. These completely factory-built dwellings sell for about $5-to-6,000. Companies in the field include Chance Vought Aircraft's subsidiary Vought Industries Inc (IR, April 13, 1960), Michigan-based Detroiter Mobile Homes and Guerdon Industries. Because of strong competition—many producers are purely local—and expensive hauling fees, profit margins have become razor thin. These factors, coupled with the relatively small number of available attractive trailer parks, could limit mobile homes from gaining a larger share of the market in future years.

Of the three types of manufactured homes, the "shells" have had the fastest and most consistent growth. While most prefabbers and mobile home makers suffered lower sales and earnings last year, many shell home producers reported improved results. Three Southern companies —Jim Walter Corp, Bevis Shell Homes and Wise Homes Inc—are current leaders in this segment of the home building industry. With a low average price of $2-to-4,000 (ex-

**Prefab assemblage**



cluding land) and their "do-it-yourself" aspect, shells have found their biggest market among skilled laborers. However vacation cottages and other "second" homes also present a large potential market. Competition from both large manufacturers and local producers has become "fierce" within the last year.

**Young Industry**

Since the actual beginnings of the shell home industry some six years ago, erection of these units has been confined largely to the Southern part of the US because of more favorable climatic conditions and lower land costs. However recent entry Certainteed Products Corp's wholly owned subsidiary Institute of Essential Housing entered the Middle Atlantic market with its shell and "semi-completed" (more finished than shells) homes in March.

Today prefabricated or completely factory-made homes account for one out of every eight new single-family homes. Participants in this postwar phenomenon claim the prefab's success is attributable to a 20-to-25% cost savings over conventionally built houses. These results are achieved through mass production techniques and reduced on-site construction costs. They also cite improved quality and better styling as definite sales advantages.

Prefab growth dates back to the end of War II. In the past 15 years, the number of prefab companies—there are now upward of 400—has grown at a much more rapid rate than profits. And this Summer aluminum siding producer Alside Inc plans to erect a prototype of an all-aluminum prefab at its Akron headquarters although mass production will not start until the end of 1962. Besides National Homes which currently accounts for nearly one out of every three prefabs sold, Big Steel subsidiary US Steel Homes Division (formerly Gunnison Homes), Ohio-based Scholz Homes, Inland Homes and Louisiana-headquartered Crawford Corp are prominent in this field.

Undoubtedly all three types of manufactured homes will build up strong positions in the housing market of the Sixties. One big advantage for prefabbers will be their homes' eligibility for the easier mortgage terms under the Kennedy housing bill; shell homes and trailers are not. Rising incomes, the expected population explosion and population shifts anticipated for this decade as well as higher family formations after 1965 should require 1,200,000 or more new dwelling units annually over the next several years.

Some housing men predict by 1970 one out of every four homes will be prefabricated and by 1975 factory-made homes could take as much as 40% of the housing market. Gazing into its crystal ball, McGraw-Hill economists in their 1961 edition of *The American Economy* envision the possibility of prefabrication of "standard low-cost housing much as we now produce cars. With prefabricated sections, it will be possible to remodel, alter or add to existing homes as the family grows or its style of living changes. Trade-ins of housing sections or complete houses may be made as we now trade cars."

## STEEL
### Capacity in Canada

WHILE steel mills in the US have perked up to somewhat under 70% of capacity according to unofficial estimates, a brighter picture is reported north of the border. Canada's second biggest steel producer, Algoma Steel Corp Ltd, is at 110% of capacity and employment (7,000) is full—a condition US steel makers & workers would happily emulate.

## MANAGEMENT
### Kress Heir

THIS WEEK soft-spoken, 50-year-old Louis Plato Johnson took over as president of faltering variety chain SH Kress & Company. The decision to promote Louis Johnson (a 28-year company man, he became vice president last Summer and director four months ago) ended a year-long search. Since June 1960 Thomas W MacLeod had been filling the post temporarily. He has now joined Cluett, Peabody as a vice president, will also stay on as Kress vice chairman. Jersey contractor Paul L Troast remains chairman and chief executive officer.

Six-foot-three Louis Johnson has his work cut out. The South Carolina born & bred president heads a company which in recent years has turned in the poorest performance of any chain in the highly competitive variety store field. Specifically Kress volume reached a high of $176,000,000 in 1952 and then steadily dropped to $144,600,000 last year. Kress has fallen from the No 4 chain right after War II to seventh place today, way behind undisputed leader Woolworth and smaller operators Grant, Kresge, Newberry, Murphy and McCrory.

From the 1948 peak of $12,800,000 or $5.46 a share Kress profits from operations slid to $452,000 or 19¢ a share in 1960. Losses from store closings last year actually brought a deficit of $1.13 a share. The Kress quarterly dividend was first slashed in 1956 from 75¢ to 50¢; the payout was halved early last year and entirely omitted in the past four quarters. In response to the long string of financial woes the 2,400,000 Kress shares have dropped on the Big Board from a pinnacle of 62 a dozen years ago to 21 at present.

Last week in his lower Manhattan offices president-elect Johnson pinpointed the Kress problem: "We did not expand, as other companies did, into shopping centers." In the postwar years the conservative chain stuck with its high overhead downtown units, by 1958 did not have a single shopping center outlet. Moreover Kress modernized few stores, failed to broaden merchandise lines much beyond the original five & ten cents store concept.

Kress goes back to 1896 when Samuel H Kress opened his first store in Memphis—17 years after Frank W Woolworth opened his emporium in Watertown, NY. Under SH's leadership the chain prospered and spread, particularly in the big-

***New chief Johnson***

ger metropolitan areas of the Southeast, Southwest and later the West Coast. The Kress stores were predominantly large and profitable. In fact in the early Fifties the company was still netting an above average 5-to-6% on volume. For years the chain's average sales a store were the highest in the industry, today its $526,000 average is only exceeded by Grant, Murphy and Kresge.

After bachelor SH had made his fortune he and his brothers Rush and Claude in 1929 set up the Kress Foundation to exhibit the entrepreneur's art collection and to aid medical research. By 1945 brother Rush was running both the company and Foundation whose main holding is 42% of the Kress common.

After the war Kress managed to hold its own downtown while competitors were getting established in the suburbs. But by 1958 the situation had deteriorated to where the directors of the Foundation, worried by the loss of income, threatened a proxy fight—all against the very well publicized wishes of Foundation-company head Rush Kress. However the fracas was "averted amicably." Foundation members Paul L Troast and Frank M Folsom (of RCA) joined the Kress board with Troast succeeding Rush as chairman. The latter, now 84, has stepped up to honorary chairman.

**Merchandise Mix**

The revamped management started planning the first Kress suburban expansion. Since October 1959 Kress has opened 19 stores, all but two in shopping centers, and closed the same number of unprofitable down-down units. This has brought total Kress stores to 266 *v* 259 a decade ago. The company will add four-to-five more outlets in the last half of this year.

In June 1958 the new board brought in Montgomery Ward & Grant-trained George L Cobb as president. Louis Johnson relates: "George Cobb introduced merchandise he was familiar with," particularly soft goods with emphasis on apparel. The across-the-board approach to widening merchandise lines failed. In 1959 Kress sales fell another 3% and profits tumbled 61%. Shortly thereafter George Cobb & assistants resigned and the MacLeod interregnum began.

Louis Johnson now plans "to tailor our merchandise mix to the community level. If they want power lawn mowers, we'll have them but

we are not going to change from low prices to high prices." And while the Kress veteran has no new merchandising policies to "announce today," he allows, "we would move into any field we thought would be profitable." President Johnson adds: "We're taking a close look at discount operations."

Meantime in the first five months this year Kress felt the unseasonable weather as volume dipped 4.4%. But "we've cleaned up our stocks, strengthened our displays and in the past twelve weeks have had eight sales increases." Louis Johnson promises: "For the year we will absolutely show a sales gain."

The company only reports earnings semiannually. While giving no interim prediction, the new chief also looks for "an increase" for the full year over last year's operating earnings of 19¢ a share.

## WALL STREET
### Chemical Triangle

THE COURSE of corporate diversification does not always run smoothly. Two old, established and highly regarded chemical companies are competing vigorously for a young West Coast concern which has shown sharp growth in the last decade. The competitors are Commercial Solvents (IR, July 6, 1960) and Diamond Alkali (IR, March 29, 1961) and the prize they seek is San Francisco-based resin maker Chemical Process Company. Here is an offer-by-offer account.

Commercial Solvents was the first suitor earlier this year but was politely turned down. Then in May Diamond Alkali pressed its suit and reached agreement with Chemical Process directors. The merger terms, still subject to approval by stockholders of both companies, call for one share of new $4 convertible preferred of Diamond Alkali for 8⅓ shares of Chemical Process. Each preferred could be converted into 1.3 DIA common shares (the common currently fetches around 74 on the Big Board).

Early in June Commercial Solvents replied by offering to buy 200,000 of the 766,650 Chemical Process common shares at $15. At that time they were trading over-the-counter at 12 bid, 13 asked. Diamond Alkali promptly countered by making an identical offer. By this time Chemical Process shares were 14½ bid, 15½ asked. And then both companies—first Commercial Solvents and almost immediately after Diamond Alkali—broadened their offers by saying they stood ready to buy any Chemical Process common shares offered, not merely 200,000.

This has left stockholders of Chemical Process confronted with the choice of taking either of the two cash offers or waiting for the exchange of shares to take place if the Diamond Alkali merger goes through. To do the latter they would have to estimate the likely price of the DIA preferred when it hits the market, the likelihood of the merger being consummated and the value to them of a tax-free exchange; the cash offers, of course, would involve an immediate capital gain or loss. The decision of Chemical Process stockholders—if a meeting to con-

sider the Diamond Alkali merger is ever held—will be conditioned by one important fact: Commercial Solvents claims it is the largest single stockholder in Chemical Process.

Whichever suitor, if any, finally wins will emerge with a company which makes ion exchange resins used chiefly in water purification, sugar refining, pharmaceuticals and polyester resins for plastics and adhesives. From $377,000 in sales in 1950, Chemical Process has expanded to $6,100,000 in 1960 while, after a $3,300 loss, earnings in the same period swelled to $365,000 or 48¢ a share. Profits have risen in six of the past ten years with the 1960 gain a nickel a share over 1959.

## WE HEAR FROM . . .

### Polyol Pointers

WILMINGTON, DEL

GENTLEMEN:

In your story on Atlas Chemical Industries (formerly Atlas Powder Company) in the May 24 issue, two of Atlas' more important chemical products — sorbitol and mannitol — were described as polyolefins rather than as polyols.

The distinction is of some importance since all Atlas' polyols use agricultural products as a starting material — mainly corn sugar in the case of sorbitol and mannitol — whereas petroleum or natural gas is the raw material from which the great bulk of commercially important polyolefins are made.

Chemically, polyols are alcohols having many hydroxyl radicals, a characteristic which makes them and their derivatives useful as surface active agents, emulsifiers, humectants, etc. Olefins, on the other hand, comprise an important group of unsaturated hydrocarbons whose distinguishing chemical feature is the presence of a "double bond" between adjacent carbon atoms. Polyethylene, polypropylene and butadiene are examples of polyolefins.

Very truly yours,
W R STARNES, asst treasurer
Atlas Chemical Industries

## CHEMICALS

### Once a Distributor, Witco Adds New Products, Expands Both Here and Abroad

BY YEAR-END Witco Chemical Company will have five major new plants in operation including three joint ventures with such well known partners as Richfield Oil, US Rubber and Continental Oil. The facilities will produce Witco's chief specialties — household detergents, phthalic anhydride (used in paint, plastics), carbon black (for tires) — and also broaden the company's line to include types of rubber latex (textile compounds, adhesives, paper) and alkyl benzene (detergent raw material).

The present $51,000,000-assets chemist goes back to 1920 when three men organized a company to market chemical products. Current chairman Robert I Wishnick is the only member of the founding trio still with the company. Two weeks ago in his Manhattan office he chatted about his background. "I was born in Russia in 1892. In 1898 we came to this country and I was seasick all the way over. The trip took eight weeks." His accommodation: steerage; the passage: $25.

Some 16 years later Robert Wishnick won an engineering degree from the Armour Institute (now Illinois Tech) and then added a law degree from Kent College night school. He never took the bar examination but injects "we've never had a law suit either."

The 69-year-old executive jokes: "I'm the only old man in the company." He outlines: "I spend my

time looking into new undertakings, acquisitions and joint ventures." In charge of operations are president and chief executive officer Max A Minnig, 43, along with 37-year-old executive vice president William Wishnick, chairman Robert's son.

Witco's main fields include organic chemicals such as phthalic anhydride, metallic stearates, used in lubricating oil, paint and plastics, and polyester resins. Through its 1955 acquisition of Ultra Chemical Works, Witco is "one of the largest" manufacturers of private label detergents. A third Witco operation: distribution of carbon black. The company claims over a tenth of total domestic carbon black sales, competes with well entrenched United Carbon and Columbian Carbon. Other Witco lines are asphalt and tar products.

In its early years Witco concentrated on marketing. To insure supply the company set up one of its first manufacturing operations in 1936 when Robert Wishnick joined with Continental Oil and Shamrock Oil to form producer Continental Carbon Company. Witco retains a 20% interest in Continental Carbon, markets its entire 250,000,000 pound-a-year output. Witco will also sell Continental Carbon's share (56,000,000 pounds) in production of plants in France, Italy and the Netherlands which went on stream early this year.

Last Summer Witco nearly doubled its size with the acquisition of family-owned Sonneborn Chemical & Refining Corp for 300,000 Witco shares. Sonneborn is a leading producer of white oils used in phar-

*Turning on phthalic anhydride*

maceuticals, cosmetics, food processing as well as specialty chemicals for the building, textile and paper industries. The company also refines and distributes Amalie motor oil mainly in the Southwest and South America.

In 1959 Sonneborn earned $858,000 on sales of $37,500,000. This works out to a profit margin of only 2.3%. Robert Wishnick readily admits: "Their margins were lower than ours but the company has a wonderful reputation of integrity. Their white oils are the standard of the market." So far Witco has streamlined a few Sonneborn operations such as installing IBM machines in its accounting department, consolidating some insurance and purchasing operations.

Witco itself has posted rather narrow margins. In five years prior to the Sonneborn acquisition Witco netted an average 3.8% of sales while some chemical companies attained as much as 8% or more. Chairman Wishnick explains: "You don't make a lot of money on mar-

keting alone." Through a steady increase in production facilities plus acquisitions, Bill Wishnick relates products manufactured by Witco have climbed from 42% of total sales in 1955 to "about 90% now if you include carbon black."

On a consolidated basis including Sonneborn, Witco last year managed to increase sales by 1.4% to $96,400,000. Profits from operations also climbed slightly to $3,070,000 or $2.03 a share from the pro forma total of $2,990,000 or $1.99. However a nonrecurring loss from the write-off of Cuban assets of a Witco tar subsidiary dropped 1960 earnings to $1.97 a share.

**Profitable Production**

Chairman Wishnick allows his company is out for higher profit margins. Thus "we wouldn't undertake the sales of a product now unless we had an interest in the manufacturing of it." At the same time he is especially proud of Witco's 160-man sales force—"our marketing organization is really our forte."

The marketing men will get a real chance to show their skill this year with the output from the quintet of new plants. One of the two Witco-owned plants, a $1,600,000 installation in Chicago, began production in the first quarter. It raised the company's household detergent capacity 60%. The second, a 30,000,000-pound phthalic anhydride unit in Perth Amboy, NJ, will be finished in the final 1961 quarter. It will more than double Witco's output in this line.

Witco will also be the exclusive distributor to outside buyers for the three new jointly owned plants. And the company will retain both some rubber latex and alkyl benzene for its own consumption. The new facilities all are slated for completion in the fourth quarter:

- A 30,000,000-pound alkyl benzene plant near Los Angeles which is 50%-owned with Richfield Oil.
- An 8,000,000-pound rubber latex facility in Britain jointly owned with US Rubber.
- Continental Carbon's 50,000,000-pound carbon black plant in Bakersfield, Cal, the first on the West Coast.

Targeted for 1964 is a $74,500,000 petrochemical complex in Argentina to produce synthetic rubber, benzene and chemical intermediates. Witco will have a 13% interest. Other partners are Continental Oil, Cities Service, US Rubber and privately owned constructor Fish International. Enthuses Robert Wishnick: "It's a real romance story. This will be the beginning of a great chemical complex in that country." Son Bill chimes in: "It is a very sound plan too."

Bill Wishnick figures the company will spend "a little over $11,000,000 on construction this year, not including Argentina." To pay for the expansion Witco last Summer sold $8,000,000 worth of 5% debentures. And while the new facilities "not including the detergent plant will have a $20-to-25,000,000 sales capacity," it will "take some time" to translate volume into profits. "We have a lot of debt to retire and a lot of hard work ahead of us."

In the first quarter of this year Witco sales were up nearly 3% but

profits fell to $597,000 or 39¢ a share from 49¢. The dip was attributed to "partially higher costs and start-up expenses of our new detergent plant." Conservative Bill Wishnick refuses to give a full year estimate, warns "we will have a lot more start-up costs in the Fall."

Meanwhile the 1,500,000 Witco shares trade over-the-counter around an alltime high of 43. The company went public only three years ago when it offered 200,000 shares at $22.50 each. Since then the stock has been split 3-for-2 in June 1960 by means of a stock dividend. Thus the first Witco stockholders have nearly tripled their initial investment. Understandably the founding Wishnicks still own the biggest chunk of the stock with a 34% interest.

## TEXTILES
### C&A Flexibility

THE ROLE of carefully selective fabrics specialist continues to serve Collins & Aikman Corp well. Two years ago INVESTOR'S READER interviewed Ellis Leach who had taken over as president of deficit-harried C&A in December 1956 and brought earnings up to $2.27 a share in the February 1959 year (IR, Sept 16, 1959). The following year was even better with profits of $2.54 a share, the best since 1951.

The year ended this February encountered cutbacks in autos (still a major C&A customer group), general recession and a flood loss but even so the company managed to net $1,300,000 or $2.47 a share. And the first (May) quarter of the current fiscal year brought a 24% rise in sales with earnings up to 74¢ from 40¢. Dividends, resumed in 1958 and upped a nickel to 20¢ quarterly at the start of 1959, have been on a 30¢ rate since early 1960.

However the 529,000 shares of CK stock on the Big Board have kept ample pace with the brighter financial showing, recovering to a postwar high of 40 from this year's low of 23 and the 1957 low of 13. But in the less complex textile days before War II, CK had sold for 62 in 1937 when earnings reached $8.15 a share and dividends $5.50.

According to 54-year-old president Leach the reasons for CK's profitable position are many. First he cites "diversification in a wide variety of textile fabrics and yarns." Thus "we have the mobility and flexibility to move fast in style leadership. We are not hampered by being tied down to one staple product with attendant recurring inventory problems." He also mentions the large investment in modernization and plant relocation with all mills now in the South, Pennsylvania, California and Canada. Entry into the European Common Market is considered almost inevitable but "there is nothing definite" on when & how.

Ellis Leach believes in energetic sales campaigns combined with equally energetic development of new products to replace old outmoded ones. For instance, popular 1959 items included such imitation furs as Cloud No 9 and Kissing Cousin which are now passé but "we have something much better coming up." The newcomer is Sherpa, a new acrylic tufted lining for outerwear. Other

new products in the diversified CK line include molded carpet flooring for automobiles and a new tufted carpet scatter rug of acrylic pile fiber which will be sold directly to retailers for the first time.

Collins & Aikman also has widened its scope through acquisitions. In April 1960 it bought Bangor Mills, the country's leading producer of tricot lingerie fabrics. Consequently last year's consolidated sales rose 33% to $65,400,000.

All told, products developed and acquired since 1955 now account for 40% of CK sales. An equally telling statistic: automobile upholstery which once covered 85% of Collins & Aikman's business (pile fabrics made up the rest) brings in only 30% today. As miracle fibers and other factors began to lessen the demand for pile, other lines were developed such as furniture and airplane upholstery, toy fabrics, imitation furs and linings for locomotive bearing boxes and children's snowsuits.

For the future Ellis Leach "believes the strength of the company will lie in a continuation of our present policies of acquisition and product diversification along with substantial investment in research & development."

## MANUFACTURING

### American Air Scope

IN FITTING TESTIMONY to a favorite company saying "American Air is Everywhere," president William George Frank of American Air Filter Company recently returned from a month-long visit to the Orient. Chief reason for his trip was to check on the progress of the company's newest foreign licensee, Japan Air Filter Company Ltd, and its sales representative, Shinwa Trading Company, both of which celebrated their first birthday in May. Chief hosts were Japanese Air Filter chairman K Kawashima (left) and president Takeo Watanabe.

The progress was encouraging. With enthusiasm president Frank declared Japan Air Filter and Shinwa "are doing an outstanding job on behalf of our air filter and dust control equipment." Then he remarked on prospects in the burgeoning Far East: "No doubt you are familiar with the fact that capital investment in Japan has skyrocketed; in steel making for instance—where many of our air filters are used—the Japanese are moving up in world production and may soon oust Britain from fourth place."

#### Far-Flung Operations

The global expansion of dust controller American Air Filter (or AAF as it likes to call itself) has been in just such growing areas. The company crossed the border in 1951 to set up American Air Filter of Canada, a wholly owned manufacturing subsidiary which continues to expand its Montreal plant. Since then AAF has also moved into Europe, South Africa and Australia—but in all these cases through licensees rather than subsidiaries. Profits from royalties and export business came to about 10% of total net income last year.

In the US, American Air Filter has a plant in St Louis and four scattered through Illinois but the heart of this

global operation is in Louisville. The julep & Derby capital is not only the site of AAF headquarters and three of its plants; it is also the birthplace of the operation which was started 41 years ago as Reed Air Filter Company by inventor William Maxwell Reed. He had developed an air filtering device to help keep dust off the newly painted cars in his auto paint shop.

The present corporation was born in 1925 as a holding company for booming Reed and four other small air filter companies. In 1929 the five companies merged and AAF became an operating entity. Bill Reed served as president until 1955, then as chairman up to his death the following year. Bill Frank succeeded him first as president and then as chief executive officer.

German-born Frank had earned a mechanical engineering degree from the University of Hanover (1922) and had done considerable work on air filters in his native country. In fact he designed the first automatic air filter. He came to this country in 1923 to work for one of American Air Filter's predecessor companies.

Thus he has witnessed American Air Filter's steady advance beyond its paint shop origins and its basic product lines of air cleaning, filtering and dust control equipment. In 1950 the company acquired Herman Nelson Corp which added specialized heating and ventilating equipment for schools, hospitals, office buildings and the like. Illinois Engineering, acquired in 1953, led AAF into specialized steam heating and control items while 1958-purchased Kennard Corp added heating and cooling coils and other ventilating equipment.

In addition American Air Filter has become No 2 maker (after Owens-Corning) of disposable glass fiber filters for domestic furnaces through wholly owned subsidiary Famco. The Famco operation "involved no kind of acquisition but has been strictly our own development on which we started in 1949."

Since War II AAF has also produced various defense items, especially portable heaters for manned aircraft. Defense business was a sizable portion of total volume in 1956-58; Bill Frank notes, "it got

***Bill Frank and licensee-hosts***

to be as much as 20% in 1957." However "the change in emphasis from manned aircraft to missiles materially reduced this volume." And while AAF research and preparatory work in the missile sphere appears about to lead to substantial new contracts, in the past few years defense business was not very significant.

The cutback has cut into the AAF financial score. Best year was the one ended October 1957 in which the company netted $2,800,000 or $3.29 a share on sales of $45,000,000. Since then profits declined to a six-year low of $1.65 a share in fiscal 1960 on a volume of $41,870,000.

The defense doldrums were not the only culprits in the 1958-60 lag. An eleven-week strike at the Louisville plants in 1958, the restrictive effects of the steel strike in the January quarter of fiscal 1959 plus increased competition and the lag in the general economy all contributed. Last year's results were also affected by start-up delays on the company's new Nelson Classroom Unit Ventilator, AAF's latest innovation for the air conditioned schoolroom.

The fiscal woes have also taken their toll on AAF stock. In the over-the-counter market the 914,000 common shares whose momentum carried them as high as 44 in the 1959 bull market fell to a six-year low of 18 earlier this year. They have recovered part of the drop and now trade around 25. With quarterly dividends at 27½¢, they yield 4.4%.

Recent earnings news has turned more cheery. While second (April) quarter profits lagged behind last year (34¢ *v* 49¢), Bill Frank says a comparison is unrealistic since "the second quarter last year was jammed-up business because of the steel strike." And for the six months ended April, sales were 3% ahead of 1960, net rose to 74¢ a share from last year's 47¢. For the full year Bill Frank hopes to get back to the 1959 level when the company cleared an even $2 a share.

**Protecting Minuteman**

Even more encouraging, this full-year forecast does not include the expected important new line of defense work. As aircraft heater volume fell off, the AAF defense products division set to work "to develop complete environmental systems for the protection of the delicate and complicated electronic controls involved in both missiles and their launching systems." AAF currently has the R&D contract for the Minuteman "in this area. High efficiency air filters will maintain rigid control over temperature & humidity to protect vital equipment." AAF is also "making preparations for the production program in connection with this missile at the Malstrom (Mont) site."

When pressed, Bill Frank will merely concede the hoped-for production contract runs into "several millions." But "since we don't expect to ship anything before November," results will not show up till fiscal 1962. And while he can make no promise "on when we can get back to the 1957 earnings peak which was a pretty stiff one," next year should "show further improvement in earnings."

# *Many Minerals Glitter for Cerro*

### Stakes in US Cement, Aluminum Supplement Peru Copper Properties

ON THE ORIGINAL site of the Columbia College School of Mines now stands a glass-sheathed office building numbered 300 Park Avenue. It is much like the other newcomers along that swish Manhattan row, but this building at least retains a link with its early predecessor. Its directory contains close to a dozen well-known mining and metallurgy tenants including Phelps Dodge, Kaiser, Magma Copper and Newmont Mining.

It also lists noted miner-refiner-fabricator Cerro Corp whose moniker was shortened last December from Cerro de Pasco. The name change underscored a not uncommon desire for broader identification since Cerro has energetically branched out from its traditional role as a Peruvian copper, lead and zinc miner.

Master-minding the diversification which dates back to 1955 is 57-year-old president Robert Purington Koenig. He first went to work for Cerro de Pasco in 1925, a year after graduating from Harvard. His first job lasted just two years and for a decade and a half after that he made the rounds of several mining concerns, even did a stint on Wall Street with Lehman Bros. In 1939 he became president of coal miner Ayrshire Collieries where he stayed until 1950—save for a three-year Army tour including service with Ike's SHAEF. Then Cerro directors offered him their company's top job and he has held that post ever since.

While US-born Cerro has pursued its fortunes mostly in the Peruvian Andes, it turned its sights toward its native country in 1955. First step was the acquisition of Circle Wire & Cable, Long Island producer of copper rod and insulated wire & cable.

Since then Cerro has been a busy buyer. The company has bought an average of one fabricator a year, mostly copper & brass. But Cerro does not confine itself to these metals if Bob Koenig sees gold elsewhere. One such area: aluminum. Cerro got a foothold in aluminum with the 1956 acquisition of Fairmont Aluminum, a cold rolling mill in West Virginia.

To date aluminum accounts for only about 10% of Cerro's fabricating sales. But Bob Koenig thinks it shows great promise. He expects important new applications to be discovered for aluminum, especially in construction. One new product introduced by Fairmont in March is a stainless steel-clad aluminum sheet labeled, among other things, ideal for many types of containers.

Meantime Cerro is expanding its aluminum facilities. Last October it joined with Aluminium Ltd, Bridgeport Brass and Scovill Manufacturing to form Alroll Inc. This company is building a semi-continuous hot rolling mill in Oswego, NY to convert aluminum rolling slabs into heavy coils ready for further fabrication. Cerro has a 17% interest in this $30,000,000 project which will

supply Fairmont with much of its raw material. In February Cerro added United Pacific Aluminum of Los Angeles to its aluminum fabricating operations.

In an effort to achieve what Bob Koenig calls "a measure of vertical integration on our part," Cerro is also "actively investigating the feasibility of erecting in the Northwest a primary aluminum reduction plant with annual capacity of up to 55,000 tons." Final plans hinge on financing the projected facility but president Koenig hopes to have this ironed out "sometime this year."

Newest addition to the Cerro fabrication facilities is Viking Copper Tube which makes thin-wall copper tubing used primarily in air conditioning and refrigeration equipment. Acquired last month for 120,000 Cerro shares, the Cleveland fabricator had $9,000,000-plus sales last year.

**Cement Plans**

Recently Cerro has also diversified outside its metal bailiwick. With the help of Governor Nelson Rockefeller (see cover), Bob Koenig broke ground this Spring for a $64,000,000 cement plant just south of Albany. This is the first venture of newly formed Atlantic Cement Company in which both Cerro and Newmont Mining Corp have a 45% interest. The other 10% is held by Atlantic management, the project's promoters.

The new mill will be the largest cement plant ever built at one time. It will have two 5,000,000-barrel kilns or about four times the average Eastern cement plant's capacity. Bob Koenig figures the size of the new plant and its direct access to water transport will enable Atlantic to compete successfully along the entire East Coast.

Despite its new-found fabrication interests which now account for nearly two-thirds of sales and its more recent plunge into cement, Cerro has far from overlooked mining which still brings in more than half of company profits. At its old standby mines in central Peru, Cerro constantly expands production capacity. Among more recent ventures it holds a 22% interest in Southern Peru Copper Corp. The first of three Southern Peru properties began production early in 1960 and operated at a profit almost immediately. But because it still must repay loans for construction of mining facilities, Southern Peru will not pay dividends for at least three or four years.

Bob Koenig's pet mining project lies still farther south. It is the Rio Blanco undertaking, 31 miles northeast of Santiago high in the Chilean Andes. Still largely undeveloped, it has indicated reserves of at least 120,000,000 short tons of 1.58% copper or about 1,900,000 short tons of actual metal. Bob Koenig first heard about the huge reserve back in the Twenties when he first worked for Cerro in Peru. Since then it has had a series of owners. Cerro acquired an option to buy in 1955 and by late last year had exercised 97% of it for 28,000 Cerro shares and a small amount of cash. Cerro has spent another $6,000,000 "to develop the orebody and in engineering design and certain preliminary construction."

Bob Koenig figures he needs to

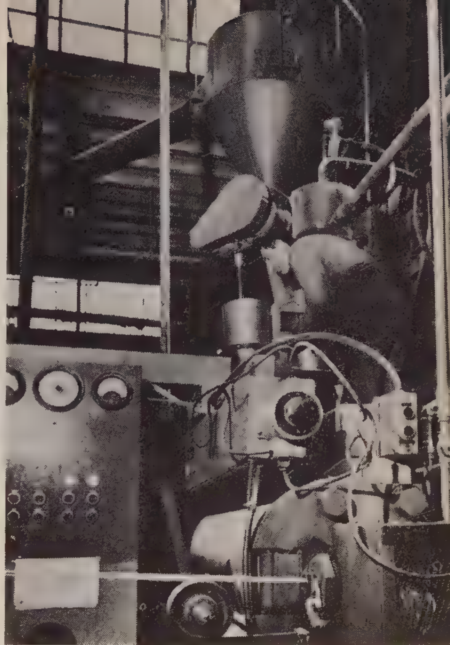
spend close to $80,000,000 more before he can go into production. Financing, still "in negotiation," is being sought through "Governmental and commercial lending institutions" rather than from any partners: "It's too good a one to share."

All together, the varied projects will require a very hefty though as yet undisclosed sum. Bob Koenig hopes to raise most of the new capital through borrowing. He explains: "We are a leverage company. We borrow money to finance new ventures so when the loan is paid, the percent of return on equity invested is greater than it would be had we financed the thing entirely with stockholder money."

Turning to operating growth, president Koenig sees great promise in fabricating operations "as we work ourselves out of the present price squeeze." Also "cement has very favorable potentialities—and don't forget Southern Peru has only one of its three mines working."

However enthusiastic, the Cerro chief recognizes stumbling blocks too. He cites the "profit squeeze" as the biggest problem for Cerro (and most industries). It "became particularly noticeable in Cerro's case during the first quarter of this year, both in the production of non-ferrous metals and in their fabrication. The prices of copper, lead, and zinc were all at significantly lower levels than a year ago [29¢ a pound for primary copper *v* 33¢; lead and zinc combined average 22½¢ *v* 25¢] and the profit margins in our fabricating operations all but vanished."

Thus while first quarter sales were off less than 4% to $40,000,000, predepletion profits fell almost 73% to $683,500 or 23¢ a share from 90¢ a share last year. But president Koenig reminds that Cerro's earnings often take seasonal swings: "This was particularly true this year when the recession was accompanied by a formidable winter in the industrial East. In other words, don't multiply our first quarter earnings by four."



**Blending at Circle Wire**

Recently the outlook brightened with a 2¢ rise in US domestic copper prices to 31¢ a pound. Whether it will go higher largely depends on the outcome of several labor negotiations here and of political machinations in Africa and South America.

For the full year Bob Koenig predicts sales "about the same" as last year's record $170,000,000. However earnings "won't be as good" as

1960's $10,560,000 or $3.76 a share which were the best since 1956. Because of the good 1960, Cerro in December raised its quarterly dividend from 25¢ to 27½¢, in February paid a 6% stock dividend rather than the customary 5%. This plus the Viking purchase brought total number of outstanding Cerro common shares to 3,025,000.

Despite the meager first quarter they currently trade on the NYSE some five points off this year's high of 45. This is up considerably from 1960's low of 27 though well shy of CDP's postwar high of 64½ in 1956. The alltime high of 71 was reached in feverish 1929 when Cerro profit margins were a fat 16% *v* a recent average 5%.

## *New Score at American Investment*

### Personal Loan Concern Starts New Rating System To Cull Out Bad Risks

WHEN JOSEPH G walked into an American Investment Company of Illinois office to ask for a $300 loan to pay off some bills, he received it promptly after routine checking. For William J who wanted $825 for a used car there was some delay and some thorough investigation but he got his loan. But Victor H who wanted a $1,000 debt consolidation loan was turned down a minute after completing his application.

These experiences were related by vice president Donald L Barnes Jr to a recent press gathering in the company's pleasantly paneled boardroom in St Louis suburb Clayton, Mo. As he spoke, reporters were looking at copies of the application forms (minus the names, of course).

Don Barnes explained all three applications were handled by American Investment's brand new credit scoring system. The company believes this system will allow it to identify applicants most likely not to succeed in making their repayments. By this means American Investment hopes to reduce sharply its bad debt charge-offs—the company's third biggest expense item (after salaries and interest on its own borrowings). In 1960 bad debt charge-offs totaled almost $7,000,000 or 2.39% of the year's average receivables of $270,000,000.

In the case of Victor H, his score added up to less than the minimum amount required for eligibility. Though 44, married (and father of two), he had been on his job as a warehouseman only a little over a year and had lived at his current residence not much longer. He was earning only $45 a week supplemented, he claimed, by $25 a week for home repair work. His debt load, consolidated or otherwise, was heavy. He had no phone listing.

William J scored better, though not well. On the favorable side, he was married and both he and his wife were working. Less favorable factors were his comparative youth, 25, and his less-than-a-year's time at both his job and his residence. But investigation showed among

other things he had had good reasons for changing jobs and he was given his loan. Joseph G, married, a home owner, 52 years old and 32 years on his job, scored well and it was only necessary to verify his statements to warrant the loan.

Unknown to any of the three applicants, the loan officer had simply looked over and scored their applications, giving a company-specified number of points for such things as age, time on job, family status, etc. Below a certain score (it varies in each of the 43 states where American Investment subsidiaries operate) the turn-down is automatic and time is made available for more thorough investigation of the better credit risks scoring above the cutoff point. Needless to say, those with scores only a little above the cutoff are given a more thorough check than the high scorers.

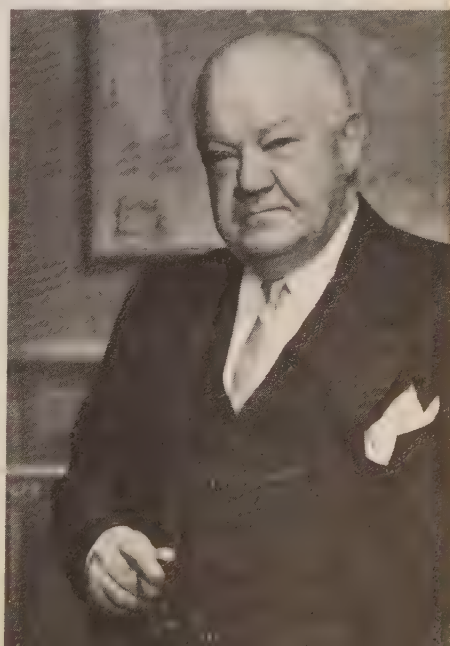
Don Barnes states: "If all goes well, in two or three years the system will eliminate 25-to-30% of American Investment's seriously delinquent accounts." He estimates it could divert some $200,000 worth of labor each year from investigation of probably hopeless accounts, save $1,000,000 before taxes a year in collection costs and save $2,000,000 a year (also pre-tax) in charge-offs.

Germ for the credit scoring idea originated with American Investment president Lawrence Curtiss. He felt if insurance men could predict life spans using statistics based on actual experience, finance men should be able to do something of the sort for credit risks. The company put one of its younger executives, 36-year-old Richard Zaegel, on the job together with math whiz Earl Follett of San Francisco consulting firm Fair, Isaac & Company.

Information such as now is on all the company's application forms was gathered from a selection of 13,000 "good" accounts—people who had paid regularly with never more than a month's lag—and 1,000 "bad" accounts—people who had missed four consecutive payments.

Earl Follett admits: "We found some interesting things." For instance, 31% more of the "good" accounts had a telephone in their own name than the "bad" accounts. Don Barnes adds: "We hadn't thought this was so important but on second thought it makes sense since the phone company takes out a phone pretty quickly if bills aren't paid." Less unexpected were findings that borrowers in the "good" group av-

***Lender Don Barnes Sr***



eraged four more years on their present job than the "bad," three more years at their residence, were an average four year older and more apt to have wives and homes.

Through a statistical method called "discrimination analysis," it was possible to figure out how much weight should be attached to any one of these characteristics. This method has been available for several decades but only electronic computers have made it feasible for the large samples American Investment required.

Then the math men figured the point in the scoring spectrum where around half the applicants seemed destined to end as charge-offs. They computed that if all applicants at or below this level were eliminated, total volume should drop 3.4%, bad accounts would drop 20% but good accounts only 2%. Since it takes income from three good accounts to offset costs of pursuing and ultimately charging off one bad account, Earl Follett acknowledges "this seemed like a profitable trade."

The point system was given a trial at 18 American Investment offices starting in late 1959. The first year they experienced 21% fewer seriously delinquent accounts than the year before while 40 "control" offices not on credit scoring had a 6% increase. Then the system was also put into those 40 offices and preliminary results show a 36% decline of serious delinquencies over the previous year.

The American Investment explaining team stressed these results were only the early indications of how the system will work. After refining the weighting system to reflect a sample of some 40,000 good and bad accounts, the company in October 1960 put it to work in all its then 600 offices. By the end of this month it should be put into effect at another hundred outlets brought in by two recent acquisitions. But vp Barnes cautions it will be two or three years before the system will really prove itself.

Besides the expected dollar savings, American Investment sees some additional advantages. For instance, the company will be able to offer bigger loans at lower cost by direct mail to high-scoring borrowers.

Says operations man Dick Zaegel: "We had a big education and selling job to do to install the system." Efforts were made not only to show justification for the system but also to make sure it was used properly. At first there were errors in scoring and failures to apply the cutoff point rigorously which could seriously undermine the system. However a strict policy of monitoring each application brought a big improvement.

**Financial Tally**

Applied-mathematics-minded American Investment ranks fourth among US small loan companies (after Beneficial, Household and Seaboard Finance). Of its 700 offices, 70 came from the May acquisition of Royal Loan Company and some affiliates (St Louis) and 28 from the April purchase of Tampa's MAC Corp.

The two new additions make it difficult to tell how second quarter results for American Investment will tally according to president Larry

Curtiss. Don Barnes Jr chips in with a more detailed view: "It usually takes three-to-six months for companies in our business to feel the effects of a recession and a corresponding length of time for us to recover. So far we haven't felt the effects of the upturn in April and May." Earnings of $1,580,000 or 30¢ a share for the March quarter trailed the good year-ago showing by 16%. Full-year 1960 earnings were $7,130,000 or $1.37 a share, up from $1.25 in 1959 and just short of the $1.40 netted in peak year 1957. American Investment's 4,870,000 common shares (AMT on the Big Board) set an alltime high of 25½ this May, now trade around 23.

American Investment began in Springfield, Ill in 1917. Its first field was auto finance. It sold this business in 1929 to enter the small loan business and moved to St Louis a year later. In 1955 it moved out from the center of the city to its made-to-order new building in the booming suburb of Clayton.

Founder of the company was the then 23-year-old Donald L Barnes Sr —together with four other men and $2,500 capital. Now 67, Don Barnes, who handed over the presidential reins to Larry Curtiss in 1959, continues as chairman. A small, stout, cheerful extrovert, he bounced into the press gathering as the new credit scoring system was announced, told of his pleasure and pride in its adoption and said he was so pleased with the results which are to be wrought by the company's soon-to-be-delivered new IBM 7070 that "if it could cook, I'd marry the thing."

The senior Barnes now divides his time between Florida and his handsomely appointed farm at Chesterfield, Mo in the rolling country 20 miles outside St Louis. There he keeps mementoes of his 1937-45 ownership of the St Louis Browns, including autographed pictures of the 1944 team which won the only pennant in the history of the now Baltimore-based club.

Present American Investment president Larry Curtiss, 58, joined the company in 1928 and has served in practically every post from assistant office manager to president. He sees a bright future for the industry and company: by 1970 he expects total consumer credit to exceed $100 billion in the US, or double its present size. For American Investment he sees a rise in outstandings to $700-to-750,000,000 or about 2½ times present size.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## TIGER TAIL

What looks like two airplanes in the picture below is actually only one with its tail swung wide open till it appears to touch the rear of the wing. This is the first of ten Canadair CL-44s ordered from the Canadian subsidiary of General Dynamics by No 1 all-cargo carrier Flying Tiger Line Inc. On hand to show off his new craft—the world's first swing-tail airfreighter and the largest commercial air cargo carrier ever built—is broadly smiling Tiger president Robert W Prescott. To date Flying Tiger has received four ships from Canadair which are being placed in military contract operations across the Pacific and Atlantic. The remaining six are scheduled for delivery in September and transcontinental cargo service in November.

To finance its $55,000,000 order Flying Tiger placed privately $5,000,000 in 5½ % convertible debentures in August 1959 and is currently issuing about $41,000,000 in five-year equipment trusts to Canadair and engine supplier Rolls Royce. Under a two-year-old agreement the New York Central RR will this December lend $5,000,000 on 5½ % convertible notes.

While the new craft represent the biggest investment in Tiger history, Bob Prescott is convinced their inherent economies will help "accomplish the long-heralded airfreight breakthrough in rates." The swing-tail which allows straight-in loading & unloading should cut turn-around time to an hour v a normal three-to-five hours. The turboprop engines operate more cheaply than pistons and thanks to shorter take-off requirements than for jets, the new craft can operate in & out of 85% of the world's airports.

To promote traffic and especially to get better two-way distribution Flying Tiger in March cut East-bound rates by 19.7-to-40.3% on 16 specific commodities, later followed this with two more sets of California-to-East reductions.


Flying Tiger has had some recent rough flying. Fierce competition for military contracts, generally increased costs and more recently the business recession forced the line in the red in three of the past five years. With improved military business conditions and an upturn in the economy, prospects have picked up. In the ten months ended April the company managed to report a penny a share in the black and some further improvement was indicated for the rest of the fiscal year ended this week.

*Investor's Reader*


## EASTERN SHUTTLE

While $39,000,000-assets freight carrier Flying Tiger pins its hopes on a unique new cargo plane (see facing page), $340,000,000-assets Eastern Air Lines banks on a unique new passenger service: New York-Washington and New York-Boston cut-rate, no-reservation shuttles leaving each city every even hour from 8 am to 10 pm.

The hurrying gentleman above probably owes his timely departure to the power of the press. He arrived at the gate for the 4 pm Washington shuttle a fraction of a minute late. But for the benefit of a dozen newsmen inspecting first-day activities at Eastern's brand new shuttle terminal at LaGuardia last month, the engines were stopped, the ramp wheeled back and the passenger permitted to dash aboard. Had he been half a minute earlier, no special occasion would have been needed to assure him a seat for Eastern guarantees to fly everyone on hand at the scheduled departure time of each shuttle.

Eastern had proved this point that very morning when a 96th Washington-bound passenger showed up for the shuttle which is flown with 95-seat Constellations; he promptly was placed on a second plane ("we make the planes stand by instead of the passengers") and flew down all by himself. Assistant vp Frank Sharpe comments: "Everyone else may consider it economic heresy to fly just one passenger, but we realize it is really a 50% load factor on a two-section flight."

Incidentally, 50% is what Eastern figures is the approximate break-even point on the no-frill, low-overhead service and Frank Sharpe indicates shuttle patronage has now climbed slightly above that. "Our big problem is to get business commuters to try it the first time, then they keep coming back," maintains Sharpe, adding, "we intend to push the shuttle idea as far as we can."

# LONG AND SHORT

Have you ever thought how many of the classics are long books with short titles? "Iliad," "Odyssey," "Aeneid," "The Divine Comedy," "Don Quixote," "Candide," "Jane Eyre," "Tom Jones," "Oliver Twist," "Vanity Fair," "Moby Dick," "War and Peace."

In non-fiction, too, the same is true: Plato's "Republic," Machiavelli's "The Prince," Adam Smith's "The Wealth of Nations," Thoreau's "Walden," Darwin's "Origin of Species," Marx's "Das Kapital." The list could go on and on.

Some years back, we flew in the face of this time-honored tradition and published a short booklet with a long title, "*What Everybody Ought to Know About This Stock and Bond Business.*" Our only explanation for this unconventional behavior is that we didn't know at the time of its debut that it would become a classic of its kind—probably the most basic of all basic booklets about investing. But a classic it is, even if we do say so ourselves.

There are now several million copies of "*What Everybody Ought to Know About This Stock and Bond Business*" in print in booklet form, and the text has appeared in countless newspapers across the country as a full-page advertisement. And still the demand continues. As long as it does, we'll continue to publish it under its long-winded name and make it available free to anyone who asks for it.

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